

ZAMBIA CONGRESS OF TRADE UNIONS



ZCTU SUBMISSIONS TO THE 2011 NATIONAL BUDGET

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Introduction

The ZCTU and its affiliates met on 22nd and 23rd of July 2010 at a consultative meeting in Kitwe to discuss and consolidate the labour input into the 2011 national budget formulation process. This was attended by the top leadership in the labour movement in Zambia and at the end of the deliberations and by consensus the meeting adopted a single consolidated input taking into account the aspirations of the Zambian workers.

The leadership insisted that the 2011 budget should go further than the usual rhetoric of macroeconomic policies and seriously address the question of what combination of pro-poor policies should be put in place to promote meaningful economic growth. Recognizing high poverty levels even among workers, it is critical to look at how resources should be allocated to ensure a balanced and inclusive growth process.

ZCTU is cognizant of the need to have sustainable economic growth. This is significantly important to reflect the progress we are making in realizing the aspirations of National Development PLAN (NDP) and the Vision 2030 both of which place great emphasis on job creation. Such growth can lead to sustained poverty reduction by creating quality jobs and investing in human capital, especially education and health. Earlier on we made submission towards the second phase of the development plans, i.e. the Sixth National Development Plan (SNDP). The ZCTU is spending considerable time to analyze the pro and cons our economy is facing and therefore has had to make a number of hard choices in this regard that are realistic and practical. Since ZCTU attaches great importance to this process, it will pursue measures that will ensure these submissions are heard by the wider section of societies. We therefore hope the submissions would receive serious and favourable consideration.

Revenue Measures

ZCTU is convinced that government need to look at additional measures needed to enhance social protection and equip the poor to take advantage of new opportunities arising from growth. Extension of social security for informal workers is one important avenue that must be considered. We implore it upon government this year to widen to widen the tax base as one of the best revenue source as country that should be explored. References were made to the old colonial system of governance which managed to install an infrastructure where almost everyone was paying some form of tax (*Chitupas*). The windfall tax which is self regulatory boggles our mind that we still resist to reintroduce it when we are fully aware that our economy is a single commodity driven, which is copper. We are even boasting that we have recorded the best single inflation digit and this due to the high copper prices obtaining at world markets. These suggestions have been given to government to seriously consider in moving towards widening the tax base and we must show political will now before another downturn of the recession hits our economy. Fears are still out there in the global economy that the recession is not yet over.

We continue to wonder why it is so easy for government to inflict the heavy tax burden on workers through PAYE when corporations are still paying so little to the national treasury. Meanwhile simple analysis shows that only 8% of the formal workers contribute 24%, when only 2% is contributed by mines (companies) and the rest of the workers. ZCTU believes that all productive activities need to be taxed accordingly including productive activities in the informal economy that remain largely untaxed. This would bring in significant revenues for government.

Direct taxes

With expected modest but better growth prospects for 2010/2011 projections the ZCTU observes that the current non taxable PAYE monthly income threshold of K 700, 000 still falls far below the Basic Needs Basket (BNB) to provide any meaningful relief to workers. Only with growth rates of about 15% of the GDP can we lift a number of people out of poverty. The ZCTU maintains that the BNB, which is a fair measure of the cost of basic food items and essential non-food items for a family of six persons, must be the yardstick and criteria for determining the non taxable PAYE monthly income threshold.

In this regard ZCTU proposes that the tax credit be adjusted to income levels equivalent to minimum amount of money required to meet basic needs of a Zambian household of average, which currently is about K 2,800,000.

Tax band	Tax rate
K 2,800,001 - K 4,000,000	15%
K 4,000,001 - K 6,000,000	20%
K 6,000,001 - K 9,000,000	25%
K 9,000,001 - K 12,000,000	30%
Above K 12,000,000	35%

The 2011 budget should aim at a fair tax code which should alleviate the heavy burden of taxes in direct proportion to what businesses and corporations are contributing to the national treasury.

Tax on Pensions and Gratuity

This year, the ZCTU resubmits the validity of reducing further the taxation on pensions and gratuity income as government policy seeks to empower Zambian citizens to participate in broader economic activities. Pension is considered to be a person's last income from employment and therefore it is important that former workers have sufficient resources for starting the new life. In this respect ZCTU proposes a zero tax rate for pensions of K50,000,000 and below. Pensions above K 50,000,000 must be taxed at the rate of 12.5 %. On gratuities we propose zero tax on the first K 20,000,000 and above K 20,000,000 we propose a tax rate of 12/5%.

Value Added Tax

The comparatively high rate of VAT at 16% in the region will continue to make Zambian goods and services uncompetitive on both the regional and global markets. This scenario can have far reaching consequences on the economy in terms of scaling down production and possible jobs losses. ZCTU maintains that Government reduces the VAT rate from current 16% to either 14% or 15%.

Tax Concessions

ZCTU evaluated government's position and find that as a country we have been overgenerous to the investors and we propose that tax concessions given to investors through the Zambia Development Agency (ZDA) be reviewed. ZCTU proposes that tax holidays be limited to a 5 years period only and be awarded to both foreign and Zambian investors operating in and outside the Multi Facility Economic Zones(MFEZ). ZDA in regulating foreign direct investment must develop stringent conditions for investment to qualify for tax holidays. In the event a foreign company runs away by declaring bankruptcy government must have a lean on investor's assets to offset forgone taxes as well as employee's dues within the tax concession agreement.

Mineral Royalties

ZCTU proposes an upward review on mineral royalty from the current 3% to 6% for base metals and 10% for precious minerals. We also propose that the mines be charged with the appropriate electricity tax.

Windfall Tax

ZCTU proposes that government make haste in re-introducing the windfall tax at the last prevailing rate.

Expenditure Measures

In line with the forthcoming Sixth National Development Plan (FNDP), Vision 2030, National Employment and Labour Market Policy and Zambia- Decent Work Country Programme (Z-DWCP) we take significance of putting jobs first in the 2011 budget. This is the only sustainable solution to enable many of our poor Zambians to escape from poverty. Zambians do not need handouts but employment opportunities will make the poor and unemployed to work themselves out of poverty.

Continuing on our steady national economic growth, ZCTU strongly feels that it is imperative that government in the 2011 budget aims at stimulating the growth sectors of the economy outside mining in particular agriculture and manufacturing. Suggestions on diversification have not been seriously been tabled to be budget for, hence the 2011 budget

should equally address the assistance to strategic state owned enterprises in particular the Nitrogen Company of Zambia (NCZ). We should go beyond the Fertilizer Support Programme which is observed to be more political than strategic.

Personal Emoluments

ZCTU continues to be stressed by the poor salaries and working conditions for many public service workers in the country. Following considerations that government may implement the IMF sponsored performance based pay policy and is expected to undertake a civil service right-sizing exercise we urge government to restructure the distribution criteria within the Personal Emoluments (PEs) need to be re-evaluated, especially in the light that overall PEs are higher while actual salaries for civil servants are poor.

ZCTU therefore maintains that the time table for collective bargaining negotiations be synchronized with the budget cycle. If negotiations are completed before the budget formulation process starts, adequate provision shall be made in subsequent budgets in line with the agreed collective agreement. This in turn will prevent or minimize unnecessary labour disputes in the public service.

As a performance based pay policy is being ushered in place for the civil service, ZCTU further proposes an allocation in the 2011 budget to accommodate a wage/salary increment of at least 40% (percent) for public service workers to smoothen the wide variance of salary gaps that has existed for a long time in the sector.

Sector Policies and Interventions

Agriculture

The agriculture is identified as the priority area for government towards economic diversification and the main stay of the economy even after exhausting our mineral reserves. The 2011 budget must continue to promote food security through consumption smoothing and social protection intervention, supported by maintenance of a national food reserve of maize and other cereals and a disaster management fund. To spur rural development the 2011 budget must establish rural finance and credit supply systems for small-scale and peasant farmers and rural primary agro-processors. The 2011 budget must effectively promote, support and maintain an effective and efficient participatory extension service for dissemination of agriculture information. The 2011 budget must encourage a co-operative sector that will empower farmers of all sizes to address some specific problems i.e. irrigation during the dry season. Infrastructure development is key to this sector. A good road network, efficient transport system, good storage facilities and irrigation systems are prerequisites for improved agricultural performance as such capital expenditure must be directed towards this end.

The 2011 budget must provide funds to recapitalize the Nitrogen Chemicals of Zambia (NCZ) Limited so that Zambia is self-reliant in fertilizer production and export surplus to the region.

Mining

The least government can do is to undermine development that should be derived from the vast mineral resources in the country. Government must therefore direct capital expenditure towards infrastructure development to support the booming mining activities mostly in rural areas. This infrastructure will help the surrounding communities in the fight against poverty through expanded opportunities and employment.

The 2011 budget must continue to adequately fund the Geological Department to undertake extensive and intensive surveys to map the country to direct potential for mineral exploration. Mine safety Department must be adequately funded to monitor mine companies to observe safety and reduce incidence of mine accidents as well as enforcement of mining and environmental regulations.

Energy

The 2011 budget must outline policy priorities that focus on building fuel reserves to stabilize and reduce fuel prices which have been a major contributory factor to high inflation in the economy during periods of volatility.

ZESCO is major monopoly that must be restructured for it to be viable in attracting and providing incentives for private investment. Indeed the power generation and transmission requires capital injection but the impetus should not be directed towards individual consumers but with added incentives private investors should be brought on board. We as a country have greater latitude to promote renewable energy and environment friendly options.

Tourism and Hospitality

The 2011 national budget must be directed towards infrastructure development to support tourism activities particularly in rural areas. Through the ZDA and Citizens Economic Empowerment Commission (CEEC) Zambians must be given incentives to invest in the sector.

ZCTU proposes a presumptive tax on tour operators that receive payments off shore for services in Zambia with appropriate penalties. The sector which has been growing steadily must be supported for the continued contribution to the GDP growth and help in reducing poverty levels.

Manufacturing

In establishing the diversification strategy, Government must move decisively to implement deliberate policies that promote and protect the local industry. Zambia for a long time has lagged behind in terms of developing the manufacturing capacity that add value to resources and raw materials. The ZCTU supports the “**Buy Zambia Build Zambia**” campaign and hence the creation of the ZDA and CEEC must promote the participation of Zambians in main stream economic activities. We expect meaningful jobs creation and reduction of poverty from this strategy. In this respect the 2011 national budget must continue to make adequate allocations to support the implementation of ZDA and CEEC programmes and projects. CEEC performance has to be continuously be reviewed and assessed to ensure effective delivery to citizens. Another deliberate policy towards accelerating the formalization of the informal economy is critical for the sector.

Social Sector

ZCTU supports sustained investment in social sector in the 2011 national budget to be maintained. The focus must be on health, education, water, sanitation but also to raise attention to social protection. Areas requiring attention include the need to recruit more health personnel and teachers and the relative increase of resources which shall ensure adequate remuneration to retain qualified personnel in these sectors. The 2011 national budget must continue to put aside funds for recruitment more health workers and teachers. The funding to health must be increased to reach 15% of budget as per the Abuja declaration. In order to improve access to quality education, recruitment and retention of teachers is critical. It is therefore expected that Government will increase the budgetary allocation to this sector to mitigate the shortage of teachers more especially in rural and remote areas, due to the conditions obtaining in such places. To address this challenge Government should allocate at least 5% of GDP towards the education in line with the recommendation of the Fifth National Development Plan (FNDP) and the UNESCO recommendation broadly.

Local Government

The ZCTU proposes that the 2011 national budget increases the grants given to Councils by 100 percent to address the serious financial constraints facing council’s country wide government over the 2010 allocation. Such will enable them deal with unpaid wage/salary arrears and the huge debts owed to individuals, corporations and statutory bodies.

This measure will deliberately increase the local authority revenue base. The past governments policies were quite detrimental to operations of councils and therefore it is inescapable responsibility and only through the budget formulation that provision of adequate funds in terms of grants to council’s country wide will forestall the inadequacies’ being experienced in local government.

Transport

The 2011 budget must provide funds for rehabilitation of rail infrastructure in the country. Government must build roads through private public partnerships (PPP) and introduce toll gates in addition to weight bridges to raise revenue for road maintenance. This is also another avenue of providing employment opportunities for Zambians.

In view of the continued poor performance of the rail transport system in our country as a result of the failure by concessionaire to revive this vital sector and ZCTU still insists that the concession agreement be reviewed with the option of retaining the rail transport system to Zambia Railways holding Limited. ZCTU is essentially saying government should investor running the Railway Systems of Zambia is left to do everything ranging from rehabilitation of the rail line to the procurement of rolling stock which is seen to be too much for the investor. There is need for government to take up responsibility to rehabilitate the rail line and leave the investor to run the operation.

The 2011 national budget must continue to provide adequate outlays towards transport infrastructure in air, road and water transport.